

Before

**THE PUBLIC SERVICE COMMISSION
OF KENTUCKY**

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PUBLIC SERVICE
COMMISSION

**KENTUCKY POWER COMPANY
101A ENTERPRISE DRIVE
FRANKFORT, KENTUCKY 40602**

CASE NO. 2005-00341

**MOTION FOR LEAVE TO AMEND APPLICATION, TO
SUPPLEMENT NOTICE, SHORTEN THE NOTICE PERIOD, AND
FOR EXPEDITED RELIEF**

October 7, 2005

**BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

In The Matter Of:

GENERAL ADJUSTMENT IN)	
ELECTRIC RATES OF)	CASE NO. 2005-00341
KENTUCKY POWER COMPANY)	

**MOTION FOR LEAVE TO AMEND APPLICATION, TO SUPPLEMENT NOTICE,
SHORTEN THE NOTICE PERIOD, AND FOR EXPEDITED RELIEF**

Pursuant to 807 KAR 5:001 Section 14 and KRS 278.180(1) Kentucky Power Company (“KPCo” or “the Company”) moves the Commission for: (1) leave to amend its application to correct deficiencies identified by the Public Service Commission Staff (“PSC” or “the Commission”) and for leave to publish and file a supplemental notice to correct deficiencies identified by the PSC Staff; (2) a finding that the original notice and the supplemental notice constitute timely and proper notice; (3) leave to shorten the notice period from 30 days to 20 days as provided in KRS 278.180(1); and (4) an expedited decision on this motion. In support of this motion , KPCo states as follows:

BACKGROUND

On September 26, 2005, KPCo filed Case No. 2005-000341 seeking a general adjustment of its electric rates. In support the Company filed an application setting forth its request and supporting information as required by 807 KAR 5:001. Copies of this filing were served on both the Attorney General and the Kentucky Utility Customers, Inc (“KUIC.”) The Company also published the required notice to its customers of the proposed rate increase.

The Commission Staff reviewed the application and notified the Company by letter dated September 30, 2005 that the Company failed to identify all customer classes and thus failed to comply with 401 KAR 5:001 Section 10 (3)(a) and 10(3)(c) and Section 6(e).

At the request of the Company and by agreement of the parties, an informal conference was held on October 6, 2005 with the Commission Staff and counsel for the Company and the Intervenor, the Attorney General and KIUC. The Commission Staff explained it believed the term “customer classification” as used in the relevant regulations meant the Company’s tariff classifications. The Company explained that it believed that the term meant the customer classifications utilized by FERC, and the PSC in some instances, in describing revenues and thus there are three customer classifications: residential, commercial and industrial. Neither the statute nor the regulations define “customer classification”.¹

Although the Company believes its interpretation of the term is reasonable and provides its customers with the information contemplated by the regulation, the Company agrees to supply the information Staff identified. The Company also will provide additional notice to its customers in the form identified by the Staff. KIUC did not oppose this proposal and the Attorney General agreed as well, except that he may want the suspension period extended for any delay in notification.

To date the Staff has issued data requests but the answers are not yet due. Both the Attorney General and KIUC have moved to intervene. No further steps have been taken in the case. Because this is a significant rate case, because time is of the essence and because the requested relief will not prejudice the parties, the Company’s customers or the Commission Staff, the Company asks that the following alternatives be considered by the Commission and an expedited order be issued to allow the case to move forward as quickly as possible.

¹ During the conference and in communications with the Staff an incorrect citation in the Application Exhibit and other errors or clarifications were identified and will be corrected by the proposed amendment. In addition, the Company noted that two tariff pages inadvertently were omitted from the Application. The Company is filing with this motion a complete set of renumbered tariff pages to account for the two additional pages with the issue date changed to October 7, 2005.

DISCUSSION

The parties have discussed the procedural issues that arise from the identified deficiencies and the manner in which they can best be resolved. The Company believes there are two reasonable alternatives that should be considered by the Commission. For the reasons stated below, the Company believes that the first alternative is appropriate and preferable. However, if the Commission disagrees, the second alternative is presented.

A. Motion To Treat Application As Having Been Filed Effective September 26, 2005 and For Further Leave to File Supplemental Notice and to Amend Application.

The Company asks the Commission to recognize that the Company's reading of the undefined, contested term "customer classification" is a reasonable reading that provides useful information to its customers as contemplated by the relevant statutes and regulations. The Company therefore requests the Commission to accept the application for filing as of September 26, 2005—the original filing date. Because the requirements are contained within the Commission's regulations it is within the discretion of the Commission to accept an amendment from the Company correcting the deficiencies without altering the original filing date. Likewise, it is within the discretion of the Commission to allow the Company to publish a supplemental notice that will include the expanded information that the Commission Staff believes is needed.

The Company believes that this alternative is appropriate because this is not an instance where the Staff-identified deficiencies involve clear language in a regulation or statute. Here the regulation is susceptible to two reasonable interpretations. Moreover, there is no prejudice to the persons the notice is intended to protect. Indeed, under the Company's proposal, its customers will have additional opportunities to be informed of the proposed rate increase. Of course, the Company will not oppose any intervention by persons who apply for intervention outside the

regulatory deadline for intervention if the Commission proceeds under this alternative or under the following alternative.

B. ALTERNATIVE MOTION

Alternatively, the Company asks the Commission for leave to amend the application on file, publish a supplemental notice, and accept the amended application for filing as of the date of the filing of this motion. Because this would necessarily delay the case and time is of the essence, the Company asks that if the Commission orders this alternative that it also exercise its discretion pursuant to KRS 278.180(10) to shorten the notice period from thirty (30) to twenty (20) days. Additionally, because a change in the filing date implicates the previously published notice with the seven day notice requirement established by the regulations, if this alternative is used the Company asks the Commission to exercise its discretion under 807 KAR 5:001 Section 14 and deem the original and supplemental notice to be sufficient and timely for purposes of 807 KAR 5:001's notice requirements.

For the reasons explained above, the Company submits that there is good cause for the relief requested under this alternative because of the ambiguity in the regulation and the lack of prejudice to any party or customer of the Company.

THE PUBLICATION ISSUE

807 KAR 5:001, Section 10(4)(c)(3) requires that the first notice of any rate adjustment be published within seven days of the date the application is filed. To provide the required notice to customers within Kentucky Power's service territory the notice must be published in twenty newspapers with varying publication schedules. Because the timing of the deadline for submitting notices for publication as well as the publication date varies with each of the newspapers, it may not be possible to comply with the seven day window requirement whatever

date the application is deemed filed. For example, if the Commission deems the application filed on October 7, 2005 (the date this motion is filed) it is possible the earliest the notice can be published in some newspapers is October 18, 2005. Alternatively, if the application is deemed filed on the date the Commission issues its Order granting the relief requested here, it may not be possible to have the notice published for the first time until eleven days after the date of the Commission Order.²

To cut this Gordian knot and to provide ratepayers with the notice deemed by Staff to be required and to avoid delaying the Commission's work as soon as practicable, KPCo on October 7, 2005 submitted the supplemental notice for publication in the required 20 newspapers. The earliest it can be published for the first time is October 12, 2005 while the latest it will be published the first time is no later than October 18, 2005. The Company requests that whatever date its Application is deemed filed that the proposed publication schedule be deemed timely and in conformity with 807 KAR 5:001, Section 10(4)(c)(3).

MOTION FOR EXPEDITED RULING

In the interest of administrative efficiency and to avoid delaying the Commission's work, KPCo respectfully requests that the Commission act on this motion as soon as practicable

EXHIBIT HERETO

In support of these alternatives, the Company submits herewith the following exhibits:

Exhibit A: Proposed Amendments to the Application and Exhibit A to the Application (included herein is a Proposed Supplemental Notice)

Exhibit B: Proposed new tariff sheets (for use with Second Alternative) showing new date of issuance.

² This problem did not arise with an initial filing because the Company knew in advance the date upon which it would file its application.

CONCLUSION

Although the company believes that the regulation is ambiguous, it understands the position of the Commission Staff and appreciates the willingness of the Staff and the Intervenors to entertain reasonable solutions to the problems presented. For the reasons stated herein, the Company believes that it has shown good cause for the Commission to accept the filing as of September 26, 2005 in conjunction with remedial amendments and supplemental notice and asks the Commission to issue an order to this effect. Alternatively, the Company asks that the Commission proceed as set forth above for the second alternative. Regardless of the alternative selected, the Company urges the Commission to issue an order expeditiously.

WHEREFORE, for the reasons stated herein, the Company asks the Commission, pursuant to a finding of good cause shown, to issue an expedited order:

1. Accepting the Company's proposed amendments to its filing for general adjustments in electric rates as attached hereto in Exhibit A;
2. Allowing the Company to publish the supplemental notice included herein as part of Exhibit A and finding pursuant to 807 KAR 5:001 Section 14 that the Company's original notice and supplemental notice shall be considered a complete and proper notice that was timely published for the purpose of the regulation and relevant statutes governing rate filings;
3. Declaring that the Company's original filing is accepted as of September 26, 2005.

Or in the alternative:

1. Accepting the Company's proposed amendments to its filing for general adjustments in electric rates as attached hereto in Exhibit A;
2. Accepting the Company's proposed amendments to its tariffs as attached hereto in Exhibit B;

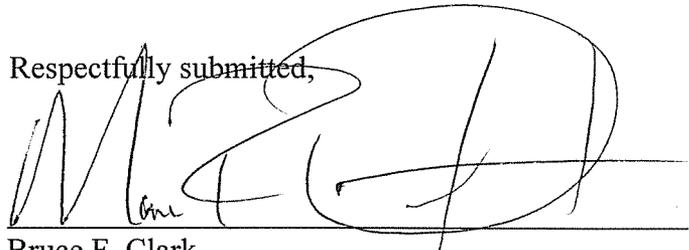
3. Allowing the Company to publish the supplemental notice included herein as part of Exhibit A;

4. Declaring that the Company's filing as amended is accepted as of the date of this motion, October 7, 2005;

5. Finding that pursuant to 807 KAR 5:001 Section 14, the Company's original notice and supplemental notice shall be considered complete and proper notice that was timely published for the purpose of the regulation and relevant statutes governing rate filings;

6. Declaring that pursuant to KRS 278.180(1) the notice period is shortened from thirty (30) days to twenty (20) days.

Respectfully submitted,



Bruce F. Clark
Mark R. Overstreet
Judith A. Villines
STITES & HARBISON, PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: 502-223-3477
COUNSEL FOR:
KENTUCKY POWER COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion was served to each defendant as indicated below:

Michael L. Kurtz
Boehm, Kurtz & Lowry
1510 URS Center
36 East Seventh Street
Cincinnati, Ohio 45202

Federal Express Priority Overnight

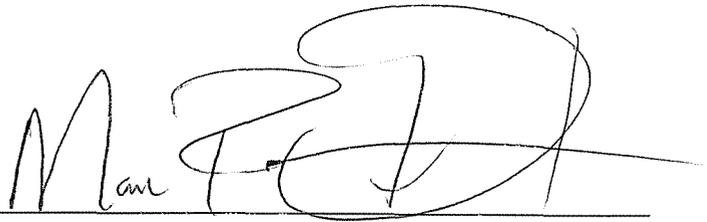
Elizabeth E. Blackford
Kentucky Attorney General's Office
Suite 800
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

Hand-Delivery

Richard G. Raff
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Hand-Delivery

on this the 7th day of October, 2005.



Mark R. Overstreet

(a) The proposed adjustment in electric rates will result in an increase in revenue of approximately \$64.8 M per year, based on consumptions during the twelve month period ending June 30, 2005, resulting in total annual Company revenues of \$402.1 M representing an increase of approximately 19.21%.

(b) The effect of the increase on average or typical electric bills is as follows:

CUSTOMER CLASSIFICATION	AVERAGE CUSTOMER CONSUMPTION/DEMAND	PRESENT AVERAGE BILLING ¹	PROPOSED AVERAGE BILLING	AVERAGE BILLING CHANGE
RS	1,353 KWH	\$ 75.11	\$ 95.61	\$ 20.50
SGS	323 KWH	29.27	33.74	4.47
MGS	4,450 KWH/19 KW	288.41	326.80	38.39
LGS	77,667 KWH/272 KVA	4,006.86	4,653.12	646.26
QP	952,607 KWH/2,343 KW	38,713.67	43,879.97	5,166.30
CIP-TOD	12,984,522 KWH/22,766 KW	441,575.33	498,150.23	56,574.90
MW	2,8879 KWH	1,456.50	1,669.88	213.38
OL	72 KWH	8.31	10.67	2.36
SL	12,447 KWH	1,236.17	1,453.42	217.25
CATV 2-User	377 Attachments	1,873.69	4,007.51	2,133.82
CATV 3-User	2,098 Attachments	11,601.94	13,825.82	2,223.88
COGEN/SPP 1	No Customers	N/A	N/A	N/A
COGEN/SPP 2	No Customers	N/A	N/A	N/A

The proposed rates for electric service are fair, just and reasonable as required by KRS 278.030.

11. **Regulatory Requirements:** In accordance with the provisions of 807 KAR 5:001, Section 10, the Company is filing herewith written testimony and exhibits in support of this Application. A specific response and appropriate references to the responsive Section of this filing, including testimony and/or exhibits, for each requirement of 807 KAR 5:001, Section 10 are set forth in Application Exhibit A hereto. The following particularly pertinent information is provided as follows:

(a) A Schedule of the Company's present rates, tolls and charges which are being revised, and the changes the Company proposes to make, shown in comparative form, as prescribed in 807 KAR 5:001, Section 10(1)(a)(7). [The Company's present rates, tolls and

¹ *includes fuel adjustment based on test year average

Kentucky Power Company
Case No. 2005-00341
Historical Test Period Ending June 30, 2005

807KAR5:001 Section 10 (1)(a)(9)

Filing Requirement:

A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.

Response:

Please see original Certificate of Notice dated September 23, 2005 (pages 20 and 21 of 352).

Please see the original Notice to the Public dated on or before September 28, 2005 (pages 22 through 33 of 352).

Please see the attached Supplemental Certificate of Notice (pages 20a and 21a).

Please see the attached Supplemental Notice to the Public (pages 22a and 22b).

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)
ELECTRIC RATES OF) CASE NO. 2005-00341
KENTUCKY POWER COMPANY)

SUPPLEMENTAL CERTIFICATE OF NOTICE

Pursuant to the Kentucky Public Service Commission's Regulation 807KAR5:001, Section 10 (1)(a)(9), I hereby certify that I am Errol K. Wagner, Director of Regulatory Services for Kentucky Power Company, a utility furnishing retail electric service within the Commonwealth of Kentucky, which, on the 26th day of September 2005, filed an application with the Kentucky Public Service Commission for the approval of an adjustment of the electric rates, terms and conditions of Kentucky Power Company, and that Notice to the Public of the issuing of the same is being given in all respects as required by 807KAR5:001, Section 10(3) and (4) and 807KAR5:011, Section 9(2), as follows:

On the 7th day of October 2005, the Supplemental Notice to the Public was delivered for exhibition and public inspection at the Service Center buildings in the Company's service territory at the following locations:

Ashland Service Center, 12333 Kevin Avenue, Ashland, KY
Hazard Service Center, 1400 East Main Street, Hazard, KY
Pikeville Service Center, 3249 N. Mayo Trail, Pikeville, KY

And that the Supplemental Notice to the Public and Application will be kept open to the public inspection at said service centers in conformity with the requirements of 807 KAR 5:001, Section 10(4)(f).

That more than twenty (20) customers will be affected by said change by way of an increase in their bills, and that on the 7th day of October 2005, there was submitted to newspapers of general circulation in the Company's service territory, for publication therein once a week for three consecutive weeks beginning no later than October 18, 2005, a Supplemental Notice to the Public of the filing of Kentucky Power Company's Application. A copy of the Supplemental Notice to the Public is attached hereto. A certificate of publication of said Notice will be furnished to the Kentucky Public Service Commission upon completion of same pursuant to 807KAR5:001, Section 10(4)(d).

Given under my hand this 7th day of October 2005.



Errol K. Wagner
Director of Regulatory Services
Kentucky Power Company
101A Enterprise Drive
Frankfort, KY 40602

**Supplemental Notice to the Public of Kentucky Power Company
RE: Proposed Changes to its Base Rates**

Please Take Notice that on September 26, 2005 Kentucky Power Company (KPCo) filed with the Kentucky Public Service Commission (the Commission) in Case No. 2005-00341 an Application pursuant to Chapter 278 of the Kentucky Revised Statutes for authorization to adjust the rates it charges its customers for service rendered on and after October 27, 2005. If approved, KPCo will apply the new rates to all customer bills rendered on and after October 27, 2005 to recover costs of providing service to its customers.

The amount of the change requested in both dollar amounts and percentages change for each customer classification are as follows:

Customer Classification	Current Revenues	Proposed Revenues	Proposed Increase	Proposed Increase Percent Change
Residential Service	\$130,089,965	\$165,598,634	\$35,508,669	27.30%
Small General Service	\$6,396,711	\$7,374,636	\$977,925	15.29%
Medium General Service	\$40,049,839	\$45,380,651	\$5,330,812	13.31%
Large General Service	\$41,639,263	\$48,355,182	\$6,715,919	16.13%
Quantity Power	\$39,023,377	\$44,231,003	\$5,207,626	13.34%
Commercial and Industrial Power Time-of-Day	\$74,184,655	\$83,689,239	\$9,504,584	12.81%
Municipal Waterworks	\$367,037	\$420,810	\$53,773	14.65%
Outdoor Lighting	\$4,776,969	\$6,130,512	\$1,353,543	28.33%
Street Lighting	\$815,872	\$959,260	\$143,388	17.57%
CATV Two-User Pole	\$61,802	\$132,184	\$70,382	113.88%
CATV Three-User Pole	\$382,803	\$456,180	\$73,377	19.17%
COGEN/SPP1	No Customers	N/A	N/A	N/A
COGEN/SPP2	No Customers	N/A	N/A	N/A

The effects upon the average bill for each customer class to which the proposed rate change will apply are as follows:

Customer Classification	Average Customer Consumption / Demand	Present Average Billing	Proposed Average Billing	Average Billing Change	Average Percent Change
Residential Service	1,353 KWH	\$75.11	\$95.61	\$20.50	27.29%
Small General Service	323 KWH	\$29.27	\$33.74	\$4.47	15.27%
Medium General Service	4,450 KWH / 19 KW	\$288.41	\$326.80	\$38.39	13.31%
Large General Service	77,667 KWH / 272 KVA	\$4,006.86	\$4,653.12	\$646.26	16.13%
Quantity Power	952,607 KWH / 2,343 KW	\$38,713.67	\$43,879.97	\$5,166.30	13.34%
Commercial and Industrial Power Time-of-Day	12,984,522 KWH / 22,766 KW	\$441,575.33	\$498,150.23	\$56,574.90	12.81%
Municipal Waterworks	28,879 KWH	\$1,456.50	\$1,669.88	\$213.38	14.65%

Section II
Application Exhibit-A
Page 22b

Outdoor Lighting	72 KWH	\$8.31	\$10.67	\$2.36	28.33%
Street Lighting	12,447 KWH	\$1,236.17	\$1,453.42	\$217.25	17.57%
CATV Two-User Pole	377 Attachments	\$1,873.69	\$4,007.51	\$2,133.82	113.88%
CATV Three-User Pole	2,098 Attachments	\$11,601.94	\$13,825.82	\$2,223.88	19.17%
COGEN/SPP1	No Customers	N/A	N/A	N/A	N/A
COGEN/SPP2	No Customers	N/A	N/A	N/A	N/A

The average billings contained in this notice are based upon the rates proposed and noticed by KPCo during the weeks of September 25, 2005 through October 15, 2005. However, the Public Service Commission may order changes to the Company's tariffs and proposed rates that could differ from those proposed. Such action may result in average billings for customers that differ from those contained in this notice.

Any corporation, association, body politic or person may, by motion within thirty (30) days after publication or mailing of notice of the proposed rate changes, request leave to intervene in Case No. 2005-00341. The motion shall be submitted to the Public Service Commission, 221 Sower Boulevard, P. O. Box 615, Frankfort Kentucky 40602-0615, and shall set forth the grounds for the request including the status and interest of the party. The Public Service Commission's phone number is 502-564-3940.

Intervenors may obtain copies of the Application and testimony by contacting Kentucky Power Company at 101 A Enterprise Drive, P. O. Box 5190, Frankfort Kentucky 40602-5190, attention Errol K. Wagner or calling 502-696-7010. A copy of the Application and testimony is available for public inspection at KPCo's district service buildings located at 12333 Kevin Avenue, Ashland, KY 41102 with a phone number of 606-929-1463 or 1400 E. Main St. Hazard, KY 41701 with a phone number of 606-436-1330 or 3249 North Mayo Trail Pikeville, KY 41501 with a phone number of 606-437-3824 or at the Public Service Commission at the address and phone number stated above.

Kentucky Power Company
Case No. 2005-00341
Historical Test Period Ending June 30, 2005

Filing Requirement
807KAR5:001 Section 10 (6)(g)

Filing Requirement:

An analysis of customer's bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class.

Response:

Please refer to Volume 2, Section III, pages 1 through 57.

P.S.C. ELECTRIC NO. 8
CANCELS P.S.C. ELECTRIC NO. 7

Cancels and Supersedes all Previous Schedules

KENTUCKY POWER COMPANY

**SCHEDULE OF TARIFFS,
TERMS AND CONDITIONS OF SERVICE
GOVERNING
SALE OF ELECTRICITY**

**In the Kentucky territory served
By Kentucky Power Company
As stated on Sheet No. 1**

**Issued by
Errol K. Wagner, Director Regulatory Services
Frankfort, Kentucky**

Issued: October 7, 2005

Effective: October 27, 2005

<u>TITLE</u>	<u>INDEX</u>	<u>SHEET NO</u>
Terms and Conditions of Service		2-1 thru 2-13
Capacity and Energy Emergency Control Program		3-1- thru 3-10
Standard Nominal Voltages		4-1
Tariff F.A.C.	Fuel Adjustment Clause	5-1 Thru 5-2
Tariff R.S.	Residential Service	6-1 thru 6-3
Tariff R.S.-L.M.-T.O.D.	Residential Load Management-Time-of-Day	6-4 thru 6-5
Tariff R.S.-T.O.D.	Residential Time-of-Day	6-6 thru 6-7
Tariff S.G.S.	Small General Service	7-1 thru 7-2
Tariff M.G.S.	Medium General Service	8-1 thru 8-3
Tariff M.G.S.-T.O.D.	Medium General Service – Time-of-Day	8-4 thru 8-5
Tariff L.G.S.	Large General Service	9-1 thru 9-3
Tariff Q.P.	Quantity Power	10-1 thru 10-3
Tariff C.I.P-T.O.D.	Commercial and Industrial Power-Time-of-Day	11-1 thru 11-3
Tariff C.S.-I.R.P.	Contract Service-Interruptible Power	12-1 thru 12-3
Tariff M.W.	Municipal Waterworks	13-1 thru 13-2
Tariff O.L.	Outdoor Lighting	14-1 thru 14-3
Tariff S.L.	Street Lighting	15-1 thru 15-3
Tariff C.A.T.V.	Cable Television Pole Attachment	16-1 thru 16-5
Tariff COGEN/SPP I	Cogeneration and/or Small Power Production – 100 KW or Less	17-1 thru 17-3
Tariff COGEN/SPP II	Cogeneration and/or Small Power Production – Over 100 KW	18-1 thru 18-3
Tariff S.S.C.	System Sales Clause	19-1 thru 19-2
Tariff F.T.	Franchise Tariff	20-1
Tariff T.S.	Temporary Service	21-1
D.S.M.C.	Demand-Side Management Adjustment Clause	22-1 thru 22-2

(Cont'd on Sheet No. 1-2)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on and after October 27, 2005

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2005- dated

INDEX CONT'D

Tariff N.M.S.C.	Net Merger Savings Credit	23-1	
Tariff E.C.S.	Emergency Curtailable Service Rider	24-1 thru 24-3	
Tariff P.C.S.	Price Curtailable Service Rider	25-1 thru 25-3	
Tariff N.U.G.	Non-Utility Generator	26-1 thru 26-3	
Tariff N.M.S.	Net Metering Services	27-1 thru 27-6	
Tariff S.I.S.	State Issues Settlement	28-1 thru	(N)
Tariff E.S.	Environmental Surcharge	29-1 thru 29-5	
Tariff N.C.R.	Net Congestion Recovery	30-1	(N)

THE ABOVE TARIFFS ARE APPLICABLE TO THE ENTIRE TERRITORY
SERVED BY KENTUCKY POWER COMPANY AS ON FILE WITH THE PUBLIC SERVICE COMMISSION
AT BOYD, BREATHITT, CARTER, CLAY, ELLIOTT, FLOYD, GREENUP, JOHNSON, KNOTT, LAWRENCE, LESLIE,
LETCHER, LEWIS, MAGOFFIN, MARTIN, MORGAN, OWSLEY, PERRY, PIKE AND ROWAN COUNTIES. (T)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on and after October 27, 2005

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2005- dated

TERMS AND CONDITIONS OF SERVICE

1. APPLICATION.

A copy of the tariffs and standard terms and conditions under which service is to be rendered to the Customer will be furnished upon request at the Company's office and the Customer shall elect upon which tariff applicable to his service his application shall be based.

If the Company requires a written agreement from a Customer before service will be commenced, a copy of the agreement will be furnished to the Customer upon request.

When the Customer desires delivery of energy at more than one point, a separate agreement may be required for each separate point of delivery. Service delivered at each point of delivery will be billed separately under the applicable tariff.

(T)

2. INSPECTION.

The Customer is responsible for the proper installation and maintenance of the customers' wiring and electrical equipment and the customer shall at all times be responsible for the character and condition thereof. The Company has no obligation to undertake inspection thereof and in no event shall be responsible therefore. However, the Company may refuse to connect to the customer's system if such connection is deemed unsafe by the Company.

(T)

Where a Customer's premises are located in a municipality or other governmental subdivision where inspection laws or ordinances are in effect, the Company may withhold furnishing service to new installations until the Company has received evidence that the inspection laws or ordinances have been complied with.

Where a Customer's premises are located outside of an area where inspection service is in effect, the Company may require the delivery by the Customer to the Company of an agreement duly signed by the owner and/or tenant of the premises authorizing the connection to the wiring system of the Customer and assuming responsibility therefore. No responsibility shall attach to the Company because of any waiver of this requirement.

3. SERVICE CONNECTIONS.

Service connections will be provided in accordance with 807 KAR 5:041, Section 10.

The Customer should in all cases consult the Company before the Customer's premises are wired to determine the location of Company's point of service connection.

The Company will, when requested to furnish service, designate the location of its service connection. The Customer's wiring must, except for those cases listed below, be brought outside the building wall nearest the Company's service wires so as to be readily accessible thereto. When service is from an overhead system, the Customer's wiring must extend at least 18 inches beyond the building. Where Customers install service entrance facilities which have capacity and layout specified by the Company and/or install and use certain equipment specified by the Company, the Company may supply or offer to own certain facilities on the Customer's side of the point where the service wires attach to the building.

All inside wiring must be grounded in accordance with the requirements of the National Electrical Code or the requirements of any local inspection service authorized by a state or local authority.

When a Customer desires that energy be delivered at a point or in a manner other than that designated by the Company, the Customer shall pay the additional cost of same.

(Cont'd on Sheet No. 2-2)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on or after October 27, 2005

ISSUED BY E.K. WAGNER DIRECTOR REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued pursuant to an Order of the Public Service Commission in Case No. 2005- dated

TERMS AND CONDITIONS OF SERVICE (Cont'd)

4. DEPOSITS.

Prior to providing service or at any time thereafter, the Company may require a cash deposit or other guaranty to secure payment of bills except for customer's qualifying for service reconnection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Upon request from a residential customer the deposit will be returned after 18 months if the customer has established a satisfactory payment record; but commercial deposits will be retained during the entire time that the account remains active.

A. Interest

Interest will be paid on all sums held on deposit at the rate indicated in KRS 278.460. The interest will be applied by the Company as a credit to the Customer's bill or will be paid to the Customer on an annual basis. If the deposit is refunded or credited to the Customer's bill prior to the deposit anniversary date, interest will be paid or credited to the Customer's bill on a pro-rated basis.

The Company will not pay interest on deposits after discontinuance of service to the Customer. Retention of any deposit or guaranty by the Company prior to final settlement is not a payment or part payment of any bill for service. The Company shall have a reasonable time in which to obtain a final reading and to ascertain that the obligations of the Customer have been fully performed before being required to return any deposits.

B. Criteria for Waiver of Deposit Requirement

The Company may waive any deposit requirement based upon the following criteria, which shall be considered by the Company cumulatively.

1. Satisfactory payment history.
2. Statement from another utility showing satisfactory payment history.
3. Another customer with satisfactory payment history is willing to sign as a guarantor for an amount equal to the required deposit.
4. Providing evidence of other collateral acceptable to Company, such as Surety Bond.
5. Checkless Payment Plan (CPP)

C. Method of Determination

1. Calculated Deposits

- a. Deposit amounts paid by residential customers shall not exceed a calculated amount based upon actual usage data of the Customer at the same or similar premises for the most recent 12-month period, if such information is available. If the actual usage data is not available, the deposit amount shall be based on the average bills of similar customers and premises in the customer class. The deposit shall not exceed 2/12 of the Customer's actual or estimated annual bill.
- b. Deposit amounts paid by commercial customers shall not exceed a calculated amount based upon actual usage data of the customer at the same or similar premises for the most recent 12-month period, if such information is available. If the actual usage data is not available, the deposit amount shall be based on the typical bills of similar customers and premises in the customer class. The deposit shall not exceed 2/12 of the customer's actual or estimated annual bill.

(Cont'd on Sheet No. 2-3)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

4. DEPOSITS, (Cont'd.)

D. Additional Deposit Requirement

If a deposit has been waived or returned and the Customer fails to maintain a satisfactory payment record, the Customer may be required to pay a deposit. Factors to be considered when evaluating if a Customer fails to maintain a satisfactory payment record include, but are not limited to; integrity of past payments (returned checks), account credit activity, age of arrearage and frequency of late payments, all during a six month period. The Customer will receive a message on the bill informing the Customer that if the account is not current by the specified date listed on the bill a deposit will be applied to the account the next time the account is billed. If a change in usage or classification of service has occurred, the Customer may be required to pay an additional deposit up to 2/12 of the annual usage.

E. Recalculation of Customers Deposit

When a deposit is held longer than 18 months, the Customer may request that the deposit be recalculated based on the Customer's actual usage. If the amount of deposit on the account differs from the recalculated amount by more than \$10.00 for a residential Customer or 10 percent for a non-residential Customer, the Company may collect any underpayment and shall refund any overpayment by check or credit to the Customer's bill. No refund will be made if the Customer's bill is delinquent at the time of the recalculation.

5. PAYMENTS,

Bills will be rendered by the Company to the Customer monthly or in accordance with the tariff selected applicable to the Customer's service.

A. Equal Payment Plan

Residential Customers have the option of paying a fixed amount each month under the Company's Equal Payment Plan. The monthly payment amount will be based on one-twelfth of the Customers estimated annual usage. The payment amount is subject to periodic review and adjustment during the budget year to more accurately reflect actual usage. The normal plan period is 12 months, which may commence in any month.

In the last month of the plan, if the actual usage during the plan period exceeds the amount billed, the Customer will be billed for the balance due. If an overpayment exists, the amount of overpayment will either be refunded to the Customer or credited to the last bill of the period. If a Customer discontinues service with the Company under the Equal Payment Plan, any amounts not yet paid shall become payable immediately.

If a Customer fails to pay bills as rendered under the Equal Payment Plan, the Company reserves the right to revoke the plan, restore the Customer to regular billing, require immediate payment of any deficiency, and require a case deposit or other guaranty to secure payment of bills.

B. Average Monthly Payment Plan (AMP)

The Average Monthly Payment Plan (AMP Plan) is available to the following applicable tariffs; R.S.; R.S.-L.M.-T.O.D.; R.S.-T.O.D., and S.G.S. When mutually agreeable the AMP Plan may be offered by the Company to Customers serviced under other tariffs.

The AMP Plan is designed to allow the Customer to pay an average amount each month based upon the actual billed amounts during the past twelve (12) months. The average payment amount is based upon the current month's total bill plus the eleven (11) preceding months. That result is divided by the total billing days associated with the billings to determine a per day average. The daily average amount is multiplied by thirty (30) to determine the current month's payment under the AMP Plan. At the next billing period, the oldest month's billing history is removed, the current month's billing is added and the total is again divided by the total billing days associated with the billings to determine a per day average. Again the daily average amount is multiplied by thirty (30) to find the new average payment amount. The average monthly payment amount is calculated each and every month in this manner.

Cont'd on Sheet No. 2-4)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

B. Average Monthly Payment Plan (AMP) (Cont'd)

The difference between the actual billings and the AMP Plan billings will be carried in a deferred balance. Both the debit and credit differences will accumulate in the deferred balance for the duration of the AMP Plan year, which is twelve consecutive billings months. At the end of the AMP Plan year (anniversary month), the current month's billing plus the eleven (11) preceding month's billing is summed and divided by the total billing days associated with the billings to determine a per day average. That result is multiplied by thirty (30) to calculate the AMP Plan's monthly payment amount. In addition, the net accumulated deferred balance is divided by 12. This result is added or subtracted to the calculated average payment amount starting with the next billing of the new AMP plan year and will be used in the average payment amount calculation for the remaining AMP plan year. Settlement occurs only when participation in the AMP Plan is terminated. This happens if any account is final billed, if the customer requests termination, or at the Company's discretion when the customer fails to make two or more consecutive monthly payments on an account by the due date. The deferred balance (debit or credit) is then applied to the billing now due.

In such instances where sufficient billing history is not available, an AMP Plan may be established by using the actual billing history available throughout the first AMP Plan year.

C. All Payments

All bills are payable at the business offices or authorized collection agencies of the Company within the time limits specified in the tariff. Failure to receive a bill will not entitle a Customer to any discount or to the remission of any charges for non-payment within the time specified. The word "month" as used herein and in the tariffs is hereby defined to be the elapsed time between 2 successive meter readings approximately 30 days apart.

In the event of the stoppage of or the failure of any meter to register the full amount of energy consumed, the Customer will be billed for the period based on an estimated consumption of energy in a similar period of like use.

The tariffs of the Company are net if the account of the Customer is paid within the time limit specified in the tariff applicable to the Customer's service. To discourage delinquency and encourage prompt payment within the specified time limit, certain tariffs contain a delayed payment charge, which may be added in accordance with the tariff under which service is provided. Any one delayed payment charge billed against the Customer for non-payment of bill or any one forfeited discount applied against the Customer for non-payment of bill may be remitted, provided the Customer's previous accounts are paid in full and provided no delayed payment charge or forfeited discount has been remitted under this clause during the preceding 6 months.

6. UNDERGROUND SERVICE.

When a real estate developer desires an underground distribution system within the property which he is developing or when a Customer desires an underground service, the real estate developer or the Customer, as the case may be, shall pay the Company the difference between the anticipated cost of the underground facilities so requested and the cost of the overhead facilities which would ordinarily be installed in accordance with 807 KAR 5:041, Section 21, and the Company's underground service plan as filed with the Public Service Commission. Upon receipt of payment, the Company will install the underground facilities and will own, operate and maintain the same.

7. COMPANY'S LIABILITY.

The Company will use reasonable diligence in furnishing a regular and uninterrupted supply of energy, but does not guarantee uninterrupted service. The Company shall not be liable for damages in case such supply should be interrupted or fail by reason of an event of Force Majeure. Force Majeure consists of an event or circumstance which prevents Company from providing service, which event or circumstance was not anticipated, which is not in the reasonable control of, or the result of negligence of, the Company, and which, by the exercise of due diligence, Company is unable to overcome or avoid or causes to be avoided. Force Majeure events includes act of God, the public enemy, accidents, labor disputes, orders or acts of civil or military authority, breakdowns or injury to the machinery, transmission lines, distribution lines or other facilities of the Company, or extraordinary repairs.

(Cont'd on Sheet 2-5)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

7. COMPANY'S LIABILITY (Cont'd)

Unless otherwise provided in a contract between Company and Customer, the point at which service is delivered by Company to Customer, to be known as "delivery point," shall be the point at which the Customer's facilities are connected to the Company's facilities. The Company shall not be liable for any loss, injury, or damage resulting from the Customer's use of their equipment or occasioned by the energy furnished by the Company beyond the delivery point.

The Customer shall provide and maintain suitable protective devices on their equipment to prevent any loss, injury or damage that might result from single phasing conditions or any other fluctuation or irregularity in the supply of energy. The Company shall not be liable for any loss, injury or damage resulting from a single phasing condition or any other fluctuation or irregularity in the supply of energy which could have been prevented by the use of such protective devices.

The Company will provide and maintain the necessary line or service connections, transformers (when same are required by conditions of contract between the parties thereto), meters and other apparatus, which may be required for the proper measurement of and protection to its service. All such apparatus shall be and remain the property of the Company.

8. CUSTOMER'S LIABILITY.

In the event of loss or injury to the property of the Company through misuse by, or the negligence of, the Customer or the employees of the same, the cost of the necessary repairs or replacement thereof shall be paid to the Company by the Customer.

Customers will be responsible for tampering with, interfering with, or breaking of seals of meters, or other equipment of the Company installed on the Customer's premises. The Customer hereby agrees that no one except the employees of the Company shall be allowed to make any internal or external adjustments of any meter or any other piece of apparatus, which shall be the property of the Company.

The Company shall have the right at all reasonable hours to enter the premises of the Customer for the purpose of installing, reading, removing, testing, replacing or otherwise disposing of its apparatus and property, and the right of entire removal of the Company's property in the event of the termination of the contract for any cause.

9. EXTENSION OF SERVICE.

The electric facilities of the Company shall be extended or expanded to supply electric service to all residential Customers and small commercial Customers which require single phase line where the installed transformer capacity does not exceed 25 KVA in accordance with 807 KAR 5:041, Section 11.

The electric facilities of the Company shall be extended or expanded to supply electric service to Customer's other than those named in the above paragraph when the estimated revenue is sufficient to justify the estimated cost of making such extensions or expansions as set forth below.

For service to be delivered to Commercial, Industrial, Mining and multiple housing project Customers up to and including estimated demands of 500 KW requiring new facilities, the Company will: (a) where the estimated revenue for one year exceeds the estimated installed cost of new local facilities required, provide such new facilities at no cost to the Customer; (b) where the estimated revenue for one year is less than the installed cost of new local facilities required, the Customer will be required to pay a contribution in aid of construction equal to the difference between the installed cost of the new facilities required to serve the load and the estimated revenue for one year; (c) if the Company has reason to question the financial stability of the Customer and/or the life of the operation is uncertain or temporary in nature, such as construction projects, oil and gas well drilling, sawmills and mining operations, the Customer shall pay a contribution in aid of construction, consisting of the estimated labor cost to install and remove the facilities required plus the cost of unsalvageable material, before the facilities are installed.

(Cont'd on Sheet No. 2-6)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

9. EXTENSION OF SERVICE (Cont'd)

For service to be delivered to Customers with demand levels higher than those specified above, the annual cost to serve the Customer's requirements shall be compared with the estimated revenue for one year to determine if a contribution in aid of construction, and/or a special minimum and/or other arrangement may be necessary. The annual cost to service shall be the sum of the following components:

1. The annual fixed costs of the generation, transmission and distribution facilities related to the Customer's requirements. These fixed costs will be calculated at 21.95% of the value to be based on the year-end embedded investment depreciated in all similar facilities of the Company.
2. The annual energy costs based on the latest available production costs related to the Customer's estimated annual energy use requirements.
3. The annual fixed costs of the new local facilities necessary to provide the service requested calculated at 21.95% of the installed cost of such facilities.

If the estimated revenue for one year is greater than the cost to serve as described herein, the Company may provide any new local facilities required at no cost to the Customer. If the estimated revenue for one year is less than the cost to serve as described herein, the Company will require the Customer to pay a contribution in aid of construction equal to the difference between the annual cost to serve as calculated and the estimated revenue for one year divided by 21.95%, but in no case to exceed the installed cost of the new facilities required. If, however, the annual cost to serve excluding the cost of new facilities paid for by the Customer, exceeds the estimated revenue for one year, the Company, will, in addition to a contribution in aid of construction, require a special minimum or other arrangement to compensate the Company for such deficiency in revenue.

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Except where service is rendered in accordance with 807 KAR 5:041, Section 11, as described herein, the Company may require the Customer to execute an Advance and Refund Agreement where the Company reasonably questions the longevity of the service or the estimated energy use and demand requirements provided by the Customer. Under the Advance and Refund Agreement, the Customer shall pay the Company the estimated total installed cost of the required new facilities which advance could be refunded over a five-year period under certain conditions. Over the five year period the Customer's electric bill would be credited each month up to the amount of 1/60th of the total amount advanced. Such credit shall be applied only to that portion of the Customer's bill, which exceeds a specified minimum. The specified minimum before refund shall be established as the greater of: (1) the minimum as described under the applicable tariff or (2) the amount representing 1/12th of the calculated annual cost to serve as described herein. In the event the Customer's monthly bill in any month does not exceed such minimum by an amount equal to 1/60th of the amount advanced, the difference between 1/60th of the amount advanced and the amount, if any, actually credited to the Customer's bill shall be designated as "accrued credit" and applied to future monthly bills over the balance of the 5 year period as credit where such monthly bills exceed the established minimum by more than 1/60th of the amount advanced.

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10. EXTENSION OF SERVICE TO MOBILE HOME.

The electrical facilities of the Company will be extended or expanded to supply electric service to mobile homes in accordance with 807 KAR 5:041, Section 12.

11. LOCATION AND MAINTENANCE OF COMPANY'S EQUIPMENT.

The Company shall have the right to construct its poles, lines and circuits on the property, and to place its transformers and other apparatus on the property or within the building of the Customer, at a point or points convenient for such purposes, as required to serve such Customer, and the Customer shall provide suitable space for the installation of necessary measuring instruments so that the latter may be protected from injury by the elements or through the negligence or deliberate acts of the Customer or of any employee of the same.

(Cont'd on Sheet No. 2-7)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

12. BILLING FORM.

Pursuant to 807 KAR 5:006, Section 6(3) copies of the billing forms used by the Company are shown on Sheet Nos. 2-11, 2-12 and 2-13.

13. RATE SCHEDULE SELECTION.

The Company will explain to the Customer, at the beginning of service or upon request the Company's rates available to the Customer. Company will assist Customer in the selection of the rate schedule best adapted to Customer's service requirements, provided, however, that Company does not assume responsibility for the selection or that Customer will at all times be served under the most favorable rate schedule.

Customer may change their initial rate schedule selection to another applicable rate schedule at any time by either written notice to Company and/or by executing a new contract for the rate schedule selected, provided that the application of such subsequent selection shall continue for 12 months before any other selection may be made. In no case will the Company refund any monetary difference between the rate schedule under which service was billed in prior periods and the newly selected rate schedule.

14. MONITORING USAGE.

At least once annually the Company will monitor the usage of each customer according to the following procedure:

1. The Customer's monthly usage will be compared with the usage of the corresponding period of the previous year.
2. If the monthly usage for the two periods are substantially the same or if any difference is known to be attributed to unique circumstances, such as unusual weather conditions, common to all customers, no further review will be made.
3. If the monthly usage is not substantially the same and cannot be attributed to a readily identified common cause, the Company will compare the Customer's monthly usage records for the 12-month period with the monthly usage for the same months of the preceding year.
4. If the cause for the usage deviation cannot be determined from analysis of the Customer's meter reading and billing records, the Company will contact the Customer to determine whether there have been changes that explain the increased or decreased usage.
5. Where the deviation is not otherwise explained, the Company will test the Customer's meter to determine whether it shows an average error greater than 2 percent fast or slow.
6. The Company will notify the customers of the investigation, its findings, and any refunds or back billing in accordance with 807 KAR 5:006, Section 10(4) and (5).

In addition to the annual monitoring, the Company will immediately investigate usage deviations brought to its attention as a result of its on-going meter reading, billing processes, or customer inquiry.

(Cont'd on Sheet No. 2-8)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

15. USE OF ENERGY BY CUSTOMER

The tariffs for electric energy given herein are classified by the character of use of such energy and are not available for service except as provided herein.

Upon the expiration of an electric service contract, if required by the terms of the tariff, the Customer may elect to renew the contract upon the same or another tariff published by the Company available to the Customer and applicable to the Customer's requirements, except that in no case shall the Company be required to maintain transmission, switching or transformation equipment different from or in addition to that generally furnished to other Customers receiving electrical supply under the terms of the tariff elected by the Customer.

(T)

The service connections, transformers, meters and appliances supplied by the Company for each Customer have a definite capacity and no additions to the equipment, or load connected thereto, will be allowed except by consent of the Company.

The Customer shall install only motors, apparatus or appliances which are suitable for operation with the character of the service supplied by the Company, and which shall not be detrimental to same, and the electric energy must not be used in such a manner as to cause unprovided for voltage fluctuations or disturbances in the Company's transmission or distribution system. The Company shall be the sole judge as to the suitability of apparatus or appliances, and also as to whether the operation of such apparatus or appliances is or will be detrimental to its general service.

No attachment of any kind whatsoever may be made to the Company's lines, poles, cross arms, structures or other facilities without the express written consent of the Company.

All apparatus used by the Customer shall be of such type as to secure the highest practicable commercial efficiency, power factor and the proper balancing of phases. Motors which are frequently started or motors arranged for automatic control must be of a type to give maximum starting torque with minimum current flow, and must be of a type, and equipped with controlling devices, approved by the Company. The Customer agrees to notify the Company of any increase or decrease in his connected load.

The Company will not supply service to Customers who have other sources of electrical energy supply except under tariffs, which specifically provide for same.

The Customer shall not be permitted to operate generating equipment in parallel with the Company's service except with express written consent of the Company.

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Resale of energy will be permitted only with express written consent by the Company.

16. RESIDENTIAL SERVICE.

Individual residences shall be served individually with single-phase service under the applicable residential service tariff. Customer may not take service for 2 or more separate residences through a single point of delivery under any tariff. Exclusions may be allowed pursuant to 807 KAR 5:046 (Prohibition of master metering).

The residential service tariff shall cease to apply to that portion of a residence which becomes regularly used for business, professional, institutional or gainful purposes, which requires three phase service or which requires service to motors in excess of 10 HP each. Under these circumstances, Customer shall have the choice of: (1) of separating the wiring so that the residential portion of the premises is served through a separate meter under the residential service tariff and the other uses as enumerated above are served through a separate meter or meters under the applicable general service tariff, or (2) taking the entire service under the applicable general service tariff.

Detached building or buildings, actually appurtenant to the residence, such as a garage, stable or barn, may be served by an extension of the Customer's residence wiring through the residence meter and under the applicable residential service tariff.

(Cont'd on Sheet No. 2-9)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

17. DENIAL OR DISCONTINUANCE OF SERVICE.

The Company reserves the right to refuse to serve any applicant for service or to discontinue to serve any Customer if the applicant or Customer is indebted to the Company for any service theretofore rendered at any location; provided however, the Customer shall be notified in writing in accordance with 807 KAR 5:006, Section 14, before disconnection of service.

The Company reserves the right to discontinue to serve any Customer for failure to provide and maintain adequate security for the payment of bills as requested by the Company, for failure to comply with these terms and conditions or to prevent fraud upon the Company.

Any discontinuance of service shall not terminate the contract for electric service between the Company and the Customer nor shall it abrogate any minimum charge, which may be effective.

18. EMPLOYEES' DISCOUNT.

Regular employees who have been in the Company's employ for 6 months or more may, at the discretion of the Company, receive a reduction in their residence electric bills for the premises occupied by the employee.

19. SPECIAL CHARGES.

A. Reconnection and Disconnect Charges

In cases where the Company has discontinued service as herein provided for, the Company reserves the right to assess a reconnection charge pursuant to 807 KAR 5:006, Section 8 (3)(b), payable in advance, in accordance with the following schedule. However, those Customers qualifying for Winter Hardship Reconnection under 807KAR5:006 Section 15 shall be exempt from the reconnect charges.

- 1. Reconnect for nonpayment during regular hours.....\$38.00 (I)
- 2. Reconnect for nonpayment when work continues into overtime
At the end of the day (No "Call Out" required).....\$42.00 (I)
- 3. Reconnect for nonpayment when a "Call Out" is required
(A "Call Out" is when an employee must be called in to work
on an overtime basis to make the reconnect trip).....\$76.00 (I)
- 4. Reconnect for nonpayment when double time is required
(Sunday and Holiday)..... \$100.00 (I)
- 5. Termination or field trip..... \$ 23.00 (I)

The reconnection charge for all Customers where service has been disconnected for fraudulent use of electricity will be the actual cost of the reconnection.

(Cont'd on Sheet No. 2-10)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

19. SPECIAL CHARGES (Cont'd).

B. Returned Check Charge

In cases where a customer pays by check, which is later returned as unpaid by the bank for any reason, the Customer will be charge a fee of \$7.00 to cover the handling costs.

(I)

C. Meter Test Charge

Where test of a meter is made upon written request of the Customer pursuant to 807 KAR 5:006, Section 18, the Customer will be charged \$69.00 if such tests shows that the meter was not more than two percent (2%) fast.

(I)

D. Work Performed on Company's Facilities at Customer's Request

Whenever, at the request and for the benefit of the Customer, work is performed on the Company's facilities, including the relocation, or replacement of the Company's facilities, the Customer shall pay to the Company in advance of the Company undertaking the work the estimated total cost of such work. This cost shall be itemized by major categories and shall include the Company's overheads and shall be credited with the net value of any salvageable material. The actual cost for the work performed shall be calculated at the completion of the work and the appropriate charge or refund will be made to the Customer.

Reasonable notice of not less than three working days shall be given to the Company for all requested work except for the covering of the Company's lines. Notice of any request for the Company to cover its lines shall be given at least two days in advance. The Company will endeavor to comply with all timely requests, but work may be delayed because of demands on the Company's personnel and equipment.

If the cost, as calculated above, is \$500 or less for covering the Company's distribution facilities no charge will be imposed. All costs in excess of \$500 for covering the Company's distribution facilities, shall be paid by the Customer, in advance of the Company undertaking the work. The actual cost for the work performed shall be calculated at the completion of the work and the appropriate charge or refund will be made to the customer.

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(Cont'd on Sheet No. 2-11)

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TERMS AND CONDITIONS OF SERVICE (Cont'd)

Large Commercial and Industrial Bill Form – Page 2

AEP KENTUCKY POWER
A unit of American Electric Power

Send Inquiries To:
PO BOX 24401
CANTON, OH 44701-4401
039-999-999-9-9 CYC 01

Questions About Bill
or Service Call
800-572-1113
Pay by Phone
877-306-9260

Account Number
039-999-999-9-9

Bill Date 05/31/05
Page 2 of 2

Please return the payment stub on Page 1 with your payment.

ADJUSTED USAGE				
Metered Usage	Power Factor	Comp Meter	Multiplier	Billing Usage
	Constant			XXXXX KWH
				XXX.XX KW
				XXXXX KVARH
Contract Capacity =	XXX.X		High Prev Demand =	On-Pk Off-Pk

KPCO MESSAGES:
You may view detail rate information online at <http://www.aepcustomer.com/tariffs/default.htm>.
Visit us at www.KentuckyPower.com

AEP KENTUCKY POWER
A unit of American Electric Power

Rates Available on Request
See other side for important information

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CAPACITY AND ENERGY CONTROL PROGRAM

The Company's Capacity and Energy Control Program consists of:

- I. Procedures During Abnormal System Frequency
- II. Capacity Deficiency Program
- III. Energy Emergency Control Program

A copy of the Company's Emergency Operating Plan was filed with the Kentucky Public Service Commission on October 22, 2004 in Administrative Case No. 353 in compliance with the Commission's Order dated January 20, 1995.

I. PROCEDURES DURING ABNORMAL SYSTEM FREQUENCY

A. INTRODUCTION

Precautionary procedures are required to meet emergency conditions such as system separation and operation at subnormal frequency. In addition, the coordination of these emergency procedures with neighboring companies is essential. The AEP program, which is in accordance with ECAR Document 3, is noted below.

B. PROCEDURES AEP/PJM

- 1. From 59.8 – 60.2 Hz to the extent practicable utilize all operating and emergency reserves. The manner of utilization of these reserves will depend greatly on the behavior of the System during the emergency. For rapid frequency decline, only that capacity on-line and automatically responsive to frequency (spinning reserve), and such items as interconnection assistance and load reductions by automatic means are of assistance in arresting the decline in frequency.

If the frequency decline is gradual, the Generation/Production Optimization Group, particularly in the deficient area, should invoke non-automatic procedures involving operating and emergency reserves. These efforts should continue until the frequency decline is arrested or until automatic load-shedding devices operate at subnormal frequencies.

- 2. At 59.75 Hz
 - a. Suspend Automatic Generation Control (AGC)
 - b. Notify Interruptible Customers to drop load
- 3. At 59.5 Hz automatically shed 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 4. At 59.4 Hz automatically shed an additional 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 5. At 59.3 Hz automatically shed an additional 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 6. At 59.1 Hz automatically shed an additional 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 7. At 59.0 Hz automatically shed an additional 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 8. At 58.9 Hz automatically shed an additional 5% of System internal load, excluding interruptibles, by relay action. (25 cycle, .42 sec. delay)
- 9. At 58.2 Hz automatically trip the D.C. Cook Nuclear Units 1 and 2.
- 10. At 58.0 Hz or at generator minimum turbine off-frequency value, isolate generating unit without time delay.

If at any time in the above procedure the decline in area frequency is arrested below 59.0 Hz, that part of the System in the low frequency area should shed an additional 10% of its initial load. If, after five minutes, this action has not returned the area frequency to 59.0 Hz or above, that part of the System shall shed an additional 10% of its remaining load and continue to repeat in five-minute intervals until 59.0 Hz is reached. These steps must be completed within the time constraints imposed upon the operation of generating units.

(Cont'd on Sheet No. 3-2)

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)

II. CAPACITY DEFICIENCY PROGRAM

A. PURPOSE

To provide a plan for full utilization of emergency capacity resources and for orderly reduction in the aggregate customer demand on the American Electric Power AEP East/PJM System in the event of a capacity deficiency.

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B. CRITERIA

The goals of AEP are to safely and reliably operate the interconnected network in order to avoid widespread system outages as a consequence of a major disturbance. Precautionary procedures including maintaining Daily Operating Reserves, as specified in ECAR document 2 and PJM Manual M13, will assist in avoiding serious emergency conditions such as system separation and operation at abnormal frequency. However, adequate Daily Operating Reserves cannot always be maintained, so the use of additional emergency measures may be required. A Capacity Deficiency is a shortage of generation versus load and can be caused by generating unit outages and/or extreme internal load requirements.

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C. AEP EAST/PJM PROCEDURES

(note: the following section contains excerpts from PJM Manual – M13)

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OVERVIEW

PJM is responsible for determining and declaring that an Emergency is expected to exist, exists, or has ceased to exist in any part of the PJM RTO or in any other Control Area that is interconnected directly or indirectly with the PJM RTO. PJM directs the operations of the PJM Members as necessary to manage, allocate, or alleviate an emergency.

- *PJM RTO Reserve Deficiencies* — If PJM determines that PJM-scheduled resources available for an Operating Day in combination with Capacity Resources operating on a self-scheduled basis are not sufficient to maintain appropriate reserve levels for the PJM RTO, PJM performs the following actions:
- Recalls energy from Capacity Resources that otherwise deliver to loads outside the Control Area and dispatches that energy to serve load in the Control Area.
- Purchases capacity or energy from resources outside the Control Area. PJM uses its best efforts to purchase capacity or energy at the lowest prices available at the time such capacity or energy is needed. The price of any such capacity or energy is not considered in determining Locational Marginal Prices in the PJM Energy Market. The cost of capacity or energy is allocated among the Market Buyers as described in the PJM Manual for Operating Agreement Accounting (M-28)

The AEP System Control Center will be referred to as SCC and the AEP Production Optimization Group will be referred to as POG.

CAPACITY SHORTAGES

PJM is responsible for monitoring the operation of the PJM RTO, for declaring the existence of an Emergency, and for directing the operations of the PJM Member as necessary to manage, alleviate, or end an Emergency. PJM also is responsible for transferring energy on the PJM Members behalf to meet an Emergency. PJM is also responsible for agreements with other Control Areas interconnected with the PJM RTO for the mutual provision of service to meet an Emergency.

Exhibit 1 illustrates that there are three general levels of emergency actions for capacity shortages:

- alerts
- warnings
- actions

ALERTS

The intent of the alerts is to keep all affected system personnel aware of the forecast and/or actual status of the PJM RTO. All alerts and cancellation thereof are broadcast on the "ALL-CALL" system and posted to selected PJM web sites to assure that all members receive the same information.

Alerts are issued in advance of a scheduled load period to allow sufficient time for members to prepare for anticipated initial capacity shortages.

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)

AEP East/PJM Procedures (cont'd)

Alerts(Cont'd)

Maximum Emergency Generation Alert

The purpose of the Maximum Emergency Generation Alert is to provide an early alert that system conditions may require the use of the PJM emergency procedures. It is implemented when Maximum Emergency Generation is called into the operating capacity.

Primary Reserve Alert

The purpose of the Primary Reserve Alert is to alert members of the anticipated shortage of operating reserve capacity for a future critical period. It is implemented when estimated operating reserve capacity is less than the forecast primary reserve requirement.

Voltage Reduction Alert

The purpose of the Voltage Reduction Alert is to alert members that a voltage reduction may be required during a future critical period. It is implemented when the estimated operating reserve capacity is less than the forecast spinning reserve requirement.

Voluntary Customer Load Curtailment Alert

The purpose of the Voluntary Customer Load Curtailment Alert is to alert members of the probable future need to implement a voluntary customer load curtailment. It is implemented whenever the estimated operating reserve capacity indicates a probable future need for voluntary customer load curtailment.

Warnings

Warnings are issued during present operations to inform members of actual capacity shortages or contingencies that may jeopardize the reliable operation of the PJM RTO. The intent of warnings is to keep all affected system personnel aware of the forecast and/or actual status of the PJM RTO. All warnings and cancellations are broadcasted on the "ALL-CALL" system and posted to selected PJM web sites to assure that all members receive the same information.

Primary Reserve Warning

The purpose of the Primary Reserve Warning is to warn members that the available primary reserve is less than required and present operations are becoming critical. It is implemented when available primary reserve capacity is less than the primary reserve requirement, but greater than the spinning reserve requirement, after all available secondary reserve capacity (except restricted maximum emergency capacity) is brought to a primary reserve status and emergency operating capacity is scheduled from adjacent systems.

Voltage Reduction Warning & Reduction of Non-Critical Plant Load

The purpose of the Voltage Reduction Warning & Reduction of Non-Critical Plant Load is to warn members that the available spinning reserve is less than the Spinning Reserve Requirement and that present operations have deteriorated such that a voltage reduction may be required. It is implemented when the available spinning reserve capacity is less than the spinning reserve requirement, after all available secondary and primary reserve capacity (except restricted maximum emergency capacity) is brought to a spinning reserve status and emergency operating capacity is scheduled from adjacent systems.

Manual Load Dump Warning

The purpose of the Manual Load Dump Warning is to warn members of the increasingly critical condition of present operations that may require manually dumping load. It is issued when available primary reserve capacity is less than the largest operating generator or the loss of a transmission facility jeopardizes reliable operations after all other possible measures are taken to increase reserve. The amount of load and the location of areas(s) are specified.

Actions

The PJM RTO is normally loaded according to bid prices; however, during periods of reserve deficiencies, other measures must be taken to maintain system reliability. These measures involve:

- Loading generation that is restricted for reasons other than cost
- Recalling non-capacity backed off-system sales
- Purchasing emergency energy from participants / surrounding pools
- Load relief measures

(Cont'd on Sheet No. 3-4)

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)

AEP East/PJM Procedures (Cont'd)

Actions (Cont'd)

The procedures to be used under these circumstances are described in the general order in which they are applied. Due to system conditions and the time required to obtain results, PJM dispatcher may find it necessary to vary the order of application to achieve the best overall system reliability. Issuance and cancellation of emergency procedures are broadcast over the "ALL-CALL" and posted to selected PJM web sites. Only affected systems take action. PJM dispatcher broadcasts the current and projected PJM RTO status periodically using the "ALL-CALL" during the extent of the implementation of the emergency procedures.

Maximum Emergency Generation

The purpose of the Maximum Emergency Generation is to increase the PJM RTO generation above the maximum economic level. It is implemented whenever generation is needed that is greater than the highest incremental cost level.

Load Management Curtailments (ALM)

Steps 1 and 2 (PJM Control)

The purpose of the Load Management Curtailments, Steps 1 and 2, is to provide additional load relief by using PJM controllable load management programs. Steps 1 and 2 are differentiated only by the expected time to implement. Load relief is required after initiating Maximum Emergency Generation.

Step 1: Short Time Frame to Implement (1 Hour or Less)

- PJM dispatcher requests members to implement Load Management Curtailment, Step 1.

Step 2: Long Time Frame To Implement (Greater Than 1 Hour)

- PJM dispatcher requests members to implement Load Management Curtailment, Step 2.

Steps 3 and 4 (SCC Control)

The purpose of the Local Control Center Programs of Load Management Curtailments, Steps 3 and 4, is to provide additional load relief by requesting use of Local Control Center load management programs.

Load Reduction Program

The purpose of the Load Reduction Action is to request end-use customers to reduce load during emergency conditions.

Voltage Reduction

The purpose of Voltage Reduction during capacity deficient conditions is to reduce load to provide a sufficient amount of reserve to maintain tie flow schedules and preserve limited energy sources. A curtailment of non-essential building load is implemented prior to or at this same time as a Voltage Reduction Action. It is implemented when load relief is still needed to maintain tie schedules.

Note: Voltage reductions can also be implemented to increase transmission system voltage.

Note: Curtailment of non-essential building load may be implemented prior to, but not later than, the same time as a voltage reduction.

Curtailment of Non-Essential Building Load

The purpose of the Curtailment of Non-Essential Building Load is to provide additional load relief, to be expedited prior to, but no later than the same time as a voltage reduction.

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)

AEP East/PJM Procedures (cont'd)

Actions

Voluntary Customer Load Curtailment

The purpose of the Voluntary Customer Load Curtailment (VCLC) is to provide further load relief. It is implemented when the estimated peak load minus the relief expected from curtailment of non-essential building load and a 2.5% - 5% voltage reduction is greater than operating capacity.

PJM/SCC – Public Appeal to conserve electricity usage

Manual Load Dump

The purpose of the Manual Load Dump is to provide load relief when all other possible means of supplying internal PJM RTO load have been used to prevent a catastrophe within the PJM RTO or to maintain tie schedules so as not to jeopardize the reliability of the other interconnected regions. It is implemented when the PJM RTO cannot provide adequate capacity to meet the PJM RTO's load or critically overloaded transmission lines or equipment cannot be relieved in any other way and/or low frequency operation occurs in the PJM RTO, parts of the PJM RTO, or PJM RTO and adjacent Control Areas that may be separated as an island.

Addendum to Manual Load Dump Procedures

AEP understands that PJM intends to implement these curtailment protocols consistent with the agreements that PJM entered into in Kentucky and Virginia, in Stipulations approved by the Kentucky Public Service Commission and Virginia State Corporation Commission (with modifications) in Case No. 2002-00475 and Case No. PUE-2000-00550, respectively.

Capacity Deficiency Summary

A summary of the emergency alerts, warning and actions, together with the typical sequence and the method of communication, are presented in the following Table III-2 on Tariff Sheet No. 3-6.

(Cont'd on Sheet No. 3-6)

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)					
		Communications	Description		
Alert	Maximum Emergency Generation	PJM-POG via All-Call PJM-SCC via All-Call SCC-TDC	SCC/POG review scheduled or actual maintenance affecting capacity or critical transmission to determine if it can be deferred or cancelled	EEA 1	
	Primary Reserve	PJM-POG via All-Call PJM-SCC via All-Call SCC-TDC	(Same as above)		
	Voltage Reduction	PJM-SCC via All-Call SCC-TDC	SCC/TDC to identify stations for Voltage Reduction		
	Voluntary Customer Load Curtailment	PJM-POG via All-Call PJM-SCC via All-Call	Not Applicable		
Warning	Primary Reserve	PJM-POG via All-Call PJM-SCC via All-Call SCC-TDC	SCC/POG ensure that all deferrable maintenance or testing affecting capacity or critical transmission is halted.		
	Voltage Reduction & Reduction of Non-Critical Plant Load	PJM-POG via All-Call PJM-SCC via All-Call SCC-TDC	SCC to inform TDC to man Voltage Reduction Stations & prepare for Voltage Reduction	POG to reduce plant load. (See Table III-4)	
	Manual Load Dump	PJM-SCC via All-Call SCC- POG-Environmental Services SCC-TDC-DDC	Lifting of Environmental Restrictions (See Table III-5)	Manual & Automatic Load Shedding	
		Make preparations for a Public Appeal if one becomes necessary.	<ul style="list-style-type: none"> a. Obtain permission to exceed opacity limits b. Obtain permission to exceed heat input limits c. Obtain permission to exceed river temperature limits 	SCC/TDC will review local computer procedures and man manual load shedding stations	
Action	Maximum Emergency Generation	PJM-POG via All-Call PJM-SCC via All-Call	Supplemental Oil & Gas Firing; Operate Generator Peakers; Emergency Hydro; Extra Load Capability	See Table III-3	
	Load Management Curtailment (ALM)	PJM-SCC via All-Call SCC - POG	Step 3 - 1267 Mws - 1 hr, 249 Mws - 2 hr	EEA 2 (DOE Report)	
	Load Reduction Program	PJM-SCC via All-Call	Not Applicable		
	Voltage Reduction	PJM-SCC via All-Call SCC -TDC & SCC - POG	Initiate Voltage Reduction - AEP/PJM - 64 Mws		
	Curtailment of Non-Essential Building Load	PJM-POG via All-Call PJM-SCC via All-Call SCC- Building Services	Initiate curtailment of AEP building load - 4.4 Mws	Issued approx. same time as Voltage Reduction	
	Voluntary Customer Load Curtailment	PJM-POG via All-Call PJM-SCC via All-Call	Not Applicable	EEA 3 (DOE Report)	
	Public Appeal (may be issued at any stage of the Action items)	SCC - Corporate Communications		a. Radio and TV alert to general public	2% of AEP Internal Load
		SCC - Customer Services SCC - POG		b. Call to Industrial and Commercial Customers	1276 Mws - 1 hr + 320 Mws - 2 hr
		SCC - TDC		c. Municipal and REMC Customers	7% of Cust. Load
	Manual Load Dump	PJM-SCC via All-Call SCC-POG-Environmental Services SCC-TDC-DDC	PJM Allocation based on deficient zones		
			a. Lift Environmental Restrictions on units	(regains curtailed generation)	
			b. Selected distribution customers (manual load curtailment)	Execute MLD	

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CAPACITY AND ENERGY CONTROL PROGRAM (Cont'd)

Energy Emergency Alert Levels (reference NERC Appendix 5C)

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1. Alert 1 - All available resources in use.

Circumstances:

- Control Area, Reserve Sharing Group, or Load Serving Entity foresees or is experiencing conditions where all available resources are committed to meet firm load, firm transactions, and reserve commitments, and is concerned about sustaining its required Operating Reserves, and
- Non-firm wholesale energy sales (other than those that are recallable to meet reserve requirements) have been curtailed.

2. Alert 2 - Load management procedures in effect.

Circumstances:

- Control Area, Reserve Sharing Group, or Load Serving Entity is no longer able to provide its customers' expected energy requirements, and is designated an Energy Deficient Entity.
- Energy Deficient Entity foresees or has implemented procedures up to, but excluding, interruption of firm load commitments. When time permits, these procedures may include, but are not limited to:
 - Voltage reduction
 - Public appeals to reduce demand
 - Interruption of non-firm end use loads in accordance with applicable contracts, for emergency, not economic reasons
 - Demand-side management
 - Utility load conservation measures
- During Alert 2, The Reliability Coordinators, Control Areas, and Energy Deficient Entities have the following responsibilities:

- 2.1 Notifying other Control Areas and Market Participants.
- 2.2 Declaration Period. The Energy Deficient Entity shall update the Reliability Coordinator of the situation at a minimum of every hour until the Alert 2 is terminated.
- 2.3 Share information on resource availability.
- 2.4 Evaluating and mitigating transmission limitations.
 - 2.4.1 Notification of ATC adjustments.
 - 2.4.2 Availability of generation redispatch options.
 - 2.4.3 Evaluating impact of current Transmission Loading Relief events.
 - 2.4.4 Initiating inquiries on reevaluating Operating Security Limits.
- 2.5 Coordination of emergency responses. The Reliability Coordinator shall communicate and coordinate the implementation of emergency operating responses.
- 2.6 Energy Deficient Entity actions. Before declaring an Alert 3, the Energy Deficient Entity must make use of available resources. This includes but is not limited to:
 - 2.6.1 All available generation units are on line. All generation capable of being on line in the time frame of the emergency is on line including quick-start and peaking units, regardless of cost.
 - 2.6.2 Purchases made regardless of cost. All firm and non-firm purchases have been made, regardless of cost.

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Energy Emergency Alert Levels (reference NERC Appendix 5C) (Cont'd)

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2.6.3 Non-firm sales recalled and contractually interruptible loads and DSM curtailed. All non-firm sales have been recalled, contractually interruptible retail loads curtailed, and Demand-side Management activated within provisions of the agreements.

2.6.4 Operating Reserves. Operating reserves are being utilized such that the Energy Deficient Entity is carrying reserves below the required minimum or has initiated emergency assistance through its operating reserve sharing program.

3. Alert 3 - Firm load interruption imminent or in progress.

Circumstances:

- Control Area or Load Serving Entity foresees or has implemented firm load obligation interruption. The available energy to the Energy Deficient Entity, as determined from Alert 2, is only accessible with actions taken to increase transmission transfer capabilities.

3.1 Continue actions from Alert 2.

3.2 Declaration Period. The Energy Deficient Entity shall update the Reliability Coordinator of the situation at a minimum of every hour until the Alert 3 is terminated.

3.3 Use of Transmission short-time limits.

3.4 Reevaluating and revising Operating Security Limits.

3.4.1 Energy Deficient Entity obligations. The deficient Control Area or Load Serving Entity must agree that, upon notification from its Reliability Coordinator of the situation, it will immediately take whatever actions are necessary to mitigate any undue risk to the Interconnection. These actions may include load shedding.

3.4.2 Mitigation of cascading failures. The Reliability Coordinator shall use his best efforts to ensure that revising Operating Security Limits would not result in any cascading failures within the Interconnection.

3.5 Returning to pre-emergency Operating Security Limits. Whenever energy is made available to an Energy Deficient Entity such that the transmission systems can be returned to their pre-emergency Operating Security Limits, the Energy Deficient Entity shall notify its respective Reliability Coordinator and downgrade the Alert.

3.5.1 Notification of other parties.

3.6 Reporting. Any time an Alert 3 is declared, the Energy Deficient Entity shall complete the report listed in NERC Appendix 9B, Section C and submit this report to its respective Reliability Coordinator within two business days of downgrading or termination of the Alert. Upon receiving the report, the Reliability Coordinator shall review it for completeness and immediately forward it to the NERC staff for posting on the NERC web site. The Reliability Coordinator shall present this report to the Reliability Coordinator Working Group at its next scheduled meeting.

4. Alert 0 - Termination. When the Energy Deficient Entity believes it will be able to supply its customers' energy requirements, it shall request of his Reliability Coordinator that the EEA be terminated.

4.1 Notification.

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CAPACITY AND ENERGY CONTROL PROGRAM

III. ENERGY EMERGENCY CONTROL PROGRAM

A. INTRODUCTION

The purpose of this plan is to provide for the reduction of the consumption of electric energy on the American Electric Power Company System in the event of a fuel shortage, such as might result from a general strike, or severe weather. (T)

B. PROCEDURES

In the event of a potential severe coal shortage, such as one resulting from a general coal strike, the following steps will be implemented. These steps will be carried out to the extent permitted by contractual commitments or by order of the regulatory authorities having jurisdiction.

A. To be initiated when system fuel supplies are decreased to 70% of target days' operation of coal-fired generation and a continued downward trend in coal stocks is anticipated: (T)

- 1. Optimize the use of non-coal-fired generation to the extent possible.
- 2. For individual plants under 50% of minimum target days' supply, review the prudence of modifying economic dispatching procedures to conserve coal. (T)
- 3. If necessary discontinue all economy sales to neighboring utilities.
- 4. Curtail the use of energy in company offices, plants, etc., over and above the reductions already achieved by current in-house conservation measures.

B. To be initiated when system fuel supplies are decreased to 60% of target days' operation of coal-fired generation and a continued downward trend in coal stocks is anticipated: (T)

- 1. Substitute the use of oil for coal, as permitted by plant design, oil storage facilities, and oil availability.
- 2. Discontinue all economy and short-term sales to neighboring utilities.
- 3. Limit emergency deliveries to neighboring utilities to situations where regular customers of such utilities would otherwise be dropped or where the receiving utility agrees to return like quantities of energy within 14 days.
- 4. Curtail electric energy consumption by customers on Interruptible contracts to a maximum of 132 hours of use at contract demand per week.
- 5. Purchase energy from neighboring systems to the extent practicable.
- 6. Purchase energy from industrial customers with generation facilities to the extent practicable.
- 7. Through the use of news media and direct consumer contact, appeal to all customers (retail as well as wholesale) to reduce their nonessential use of electric energy as much as possible, in any case by at least 25%.
- 8. Reduce voltage around the clock to the extent feasible.
- 9. The Company will advise customers of the nature of the mandatory program to be introduced in C below, through direct contact and mass media, and establish an effective means of answering specific customer inquiries concerning the impact of the mandatory program on electricity availability.

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CAPACITY AND ENERGY CONTROL PROGRAM(Cont'd)

III. ENERGY EMERGENCY CONTROL PROGRAM(Cont'd)

B. PROCEDURES (Cont'd)

C. To be initiated -- in the order indicated below -- when system fuel supplies are decreased to 50% of target days' operation of coal-fired plants and a continued downward trend in coal stocks is anticipated: (T)

- 1. Discontinue emergency deliveries to neighboring utilities unless the receiving utility agrees to return like quantities of energy within seven days.
- 2. Request all customers, retail as well as wholesale, to reduce their nonessential use of electric energy by 100%.
- 3. Request, through mass communication media, curtailment by all other customers a minimum of 15% of their electric use. These uses include lighting, air-conditioning, heating, manufacturing processes, cooking, refrigeration, clothes washing and drying and any other loads that can be curtailed.
- 4. All customers will be advised of the mandatory program specified below in D.

D. To be initiated when system fuel supplies are decreased to 40% of target days' operation of coal-fired generation and a continued downward trend in coal stocks is anticipated: (T)

- 1. Implement procedures for curtailment of service to all customers to a minimum service level that is not greater than that required for protection of human life and safety, protection of physical plant facilities and employees' security. This step asks for curtailment of the maximum load possible without endangering life, safety and physical facilities. (T)
- 2. All customers will be advised of the mandatory program specified below in E.

E. To be initiated when system fuel supplies are decreased to 30% of target days' operation of coal-fired generation and a continued downward trend in coal stocks is anticipated: (T)

Implement procedures for interruption of selected distribution circuits on a rotational basis, while minimizing -- to the extent practicable -- interruption to facilities that are essential to the public health and safety. (T)

F. The Energy Emergency Control Program will be terminated when:

- 1. The AEP System's remaining days of operation of coal-fired generation is at least 40% of normal target days' operation, and
- 2. Coal deliveries have been resumed, and
- 3. There is reasonable assurance that the AEP System's coal stocks are being restored to adequate levels.

With regard to mandatory curtailments identified in Items C, D, and E above, the Company proposes to monitor compliance after the fact. A customer exceeding his electric allotment would be warned to curtail his usage or face, upon continuing noncompliance and upon one day's actual written notice, disconnection of electric service for the duration of the energy emergency.

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